Banks have been given freedom to decide about waiving of security for higher amount of loan based on their commercial judgement. In case of shortfall in margin money/down payment by the borrower in respect of loans above Rs. 5 lakhs can be supported out of soft loan assistance for margin money of NABARD subject to a maximum of 50% of margin prescribed by Banks. Such loans to Banks from NABARD would be without interest but the Banks may levy service charges upto 2%. Rate of interest on refinance has been lowered to 5.50% irrespective of the size of the loan.

(b) The scheme of ACABC is aimed at supplementing the efforts of Governmental agencies in the area of agricultural extension. These centres will provide package of soil and input testing facilities and other consultancy services and will strengthen transfer of technology. Their activities cover soil and water quality testing laboratories, pest surveillance, diagnostic and control devices, repair and custom hiring of agricultural implements and machinery including micro irrigation system, agri service centre, seed processing units, plant tissue culture labs etc. These activities will go a long way in accelerating the process of technology transfer to the agricultural sector.

In-House IMTs for better Accountability

460. SHRI DHARAM PAL SABHARWAL: Will the Minister of FINANCE be pleased to state:

(a) whether the Insurance Regulatory Development Authority (IRDA) has directed all the insurance companies to constitute their in-house Investment Management Teams (IMTs) by 31st December, 2004 to ensure tighter control over the ways the insurers managed their policy holders;

(b) if so, the complete details of the regulatory works to be done by the proposed IMTs;

(c) by when the full time actuarial professionals are proposed to be appointed to replace proposed IMTs in all the insurance companies; and

(d) the details of the other measures, if any, likely to be introduced to ensure better accountability in insurance companies in the country?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) The Insurance Regulatory & Development Authority (IRDA) under the power vested in it under section

34 of Insurance Act, 1938 has directed all insurers to manage their investment portfolios in-house through an investment Committee of the respective Board and not out-source the same. As per Regulation 9(1) of IRDA (Investment) Regulations, 2000, the Investment Committee, shall consist of minimum of two non-executive directors of the Insurer, the Principal Officer, Chiefs of Finance, and Investment divisions, and wherever appointed actuary is employed, the Appointed Actuary. The insurers have also been advised to terminate the out-sourcing agreements and transfer the functions "in-house" latest by 31st December, 2004.

(d) So far as life and non-life public sector insurance companies are concerned, they are governed by the Insurance Act 1938 and IRDA (Investment) Regulations, 2000 as amended from time to time.

Introduction of VAT

461. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government have decided to off-set the losses suffered by State Governments on account of VAT introduction;

(b) if so, the details thereof; and

(c) the annual financial burden on the Central Government, State-wise?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes, Sir.

(b) Central Government would provide 100% compensation of the States in the year 2005-06, 75% in the year 2006-07 and 50% during 2007-08 for loss, if any, on account of introduction of VAT.

(c) State-wise annual financial burden on the Central Government shall be known only after VAT is actually implemented by the State Governments.

Sales tax on petroleum products

462. SHRI M.A.M. RAMASWAMY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that due to high sales tax on petroleum products, the prices of petroleum products in different states are different;

(b) if so, whether it is also a fact that higher sales tax on petroleum products is one of the reasons for higher inflation;